

**Open Door (aka Homeownership New Construction)
 Term Sheet**

<p>Program Description</p>	<p>HPD's Open Door program funds the new construction of cooperative and condominium buildings affordable to moderate- and middle-income families. Where dictated by lot size, the program may also fund the construction of new one- to three-family homes.</p> <p>Upon construction completion, the developer will sell the ownership units to households who agree to owner-occupy their units for the length of the regulatory period. If the purchaser sells or refinances during the regulatory period, the purchaser may realize up to 2% appreciation on the original purchase price per year of owner occupancy. Upon resale, the purchaser will also be required to sell to a household making no more than the project's income cap.</p> <p>HPD subsidy is in addition to construction and permanent financing sources provided by, but not limited to, private institutional lenders, New York State Affordable Housing Corporation (AHC) program, and developer equity.</p>						
<p>Eligible Borrowers and Sponsors</p>	<p>In order to be eligible for HPD-issued Capital funds, it is required that a borrower be a Housing Development Fund Corporation either alone or in partnership with for-profit developers, limited partnerships, corporations, trusts, joint ventures, or limited liability companies.</p>						
<p>HPD Loan Amount</p>	<p>HPD may provide maximum subsidies according to the chart below. Preference will be given to projects requesting less than the maximum subsidy.</p> <p>The maximum subsidy amount will be based on market conditions and target levels of affordability, as determined by HPD. Subsidies may also be adjusted for site acquisition costs supported by an appraisal methodology acceptable to HPD.</p> <table border="1" data-bbox="583 1157 1255 1455"> <thead> <tr> <th>Project Affordability Range</th> <th>Maximum Subsidy</th> </tr> </thead> <tbody> <tr> <td>Private Site: All units at 110% - 130% AMI Public Site: 80% - 130% AMI</td> <td>\$165,000</td> </tr> <tr> <td>Private Site: 80% - 130% AMI Public Site: All units at 80% AMI*</td> <td>\$190,000</td> </tr> </tbody> </table> <p style="text-align: center;">*as dictated by market</p> <p>Lower Affordability Tiers: Open Door will serve lower affordability tiers under prescribed circumstances, such as where levels of affordability must be deeper to achieve a discount to market.</p> <p>Requests for Above Term Sheet Subsidy: For private site projects where sales prices are constrained by market or where acquisition costs are high, HPD may consider requests for additional subsidy. Projects requesting additional subsidy must adhere to a 40 year regulatory period.</p>	Project Affordability Range	Maximum Subsidy	Private Site: All units at 110% - 130% AMI Public Site: 80% - 130% AMI	\$165,000	Private Site: 80% - 130% AMI Public Site: All units at 80% AMI*	\$190,000
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<p>Loan Terms</p>	<ul style="list-style-type: none"> • Maximum Loan Term: 20 year minimum or as dictated by the tax exemption. • Interest Rate: 0.25% servicing fee during construction. 						

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- **Developer's Fee:** The total developer's fee may not exceed 10% of the total development costs (excluding the developer's fee, reserves, soft cost contingency and acquisition costs). The subordinate land value of public sites will not be included in the developer's fee calculation. HPD may require a reduction in the paid developer fee in order to reduce public subsidy. Consultant fees, including development consultants and owner's representatives, should be paid from the developer's fee.
 - The developer's fee must be fully deferred at construction loan closing, until sales.
 - At least 10% of the developer's fee must be deferred until submission of proof, satisfactory to HPD, that all eligible purchaser enforcement mortgages have been recorded against their units or the cooperative property in the Office of the City Clerk. Proof of recording may be evidenced by a Department of Finance receipt and a printout of a screenshot of ACRIS.
- **Land Acquisition:** Acquisition costs for privately-owned sites will be reviewed by HPD and may be recognized up to the HPD-approved appraised value minus demolition and environmental remediation costs. For City-owned sites, disposition will be for \$1 per lot with the balance of appraised value in a non-interest bearing enforcement note and mortgage ("Land Debt").
- **Requisitions:** The HPD Construction Loan shall be advanced for hard costs only on a pari passu basis with advances of hard costs of the other construction lenders.
- **Projects funded with federal funds** require compliance with Section 3 new hires and Davis Bacon prevailing wages, as applicable.

Underwriting Standards: Sales prices will be calculated to cap housing costs at 33% of annual income taking into consideration monthly maintenance costs, taxes, and projected mortgage payments (assuming a 30 year mortgage term with a 5% down payment and a fixed interest rate calibrated to current rates).

Equity Requirement

At least 10% of total development costs, excluding developer's fee. This may be reduced to 5% of total development costs, excluding the developer's fee, for non-profit and MWBE developers. If a development team elects to reduce their equity requirement as allowed above, the developer's fee shall be calculated off of a percentage of total development costs equivalent to the equity contribution, excluding the developer's fee, acquisition costs, soft cost contingency and reserves.

If the HPD-approved appraised value (minus demolition and environmental remediation costs) exceeds acquisition costs recognized in the development budget, the difference may be considered as part of the equity requirement, per HPD's approval.

Additional Program Requirements

- Cooperative and condominium buildings will be required to provide an allowance for capitalized reserves and/or operating reserves in the development budget.
- Underwriting for cooperative and condominium buildings will be required to include monthly operating and/or replacement reserves in the monthly maintenance charges.
- A minimum required annual maintenance increase of 2% per year will be written into the regulatory documents.
- An HPD-approved monitor and property manager will be required.
- Eligible HPD-financed projects will be subject to the Agency's economic opportunity

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programs including [HireNYC](#) and [M/WBE Build Up](#). Such projects must meet the obligations of each applicable program and initiative.

- HPD requires a construction signage fee of \$100 per building and a fee of \$1400 for monitoring compliance with Executive Order 50 of 1980 (as amended by Executive Order 94 of 1986, Executive Order 108 of 1986, and Executive Order 159 of 2011).

Design and Construction Requirements

- Projects must meet [HPD Design Guidelines for Multifamily New Construction and Senior Housing](#) and plans must be approved by HPD.
- HPD reserves the right to participate in construction monitoring.
- HPD may at its discretion require competitive bidding for general contractors.
- HPD may require extended warranty coverage.
- All projects must achieve Green Communities Green Certification. The Green Communities Criteria and Certification portal is available on at [Enterprise Green Communities Criteria](#).
- Projects may be required to retain a qualified benchmarking service provider to track usage for heating, electric and water. The HPD Benchmarking and Performance Tracking Protocol is available online at [Benchmarking Protocol](#).
- Projects must be in full compliance with the design requirements of all applicable laws, including, but not limited to, the *New York City Zoning Resolution*, the *New York City Building Code*, the *New York City Housing Maintenance Code*, the *New York State Multiple Dwelling Law*, the *Fair Housing Act*, and *Section 504 of the Rehabilitation Act of 1973*. Projects receiving New York State Homes and Community Renewal (HCR) funding must also comply with the *HCR Design Guidelines*.

Real Estate Tax Benefits

All projects must apply for a tax exemption. Projects may qualify for the 421-a, UDAAP, or Article XI tax exemptions. See [HPD Tax Incentive Programs guidelines](#) for more details.

Closing Requirements

Conditions precedent to construction loan closing include (but are not limited to):

- Completed and satisfactory [Sponsor Review](#) disclosure documents for all applicable individuals and entities in the project. Further disclosure documentation may be required.
- Completed and satisfactory Equal Opportunity documents for applicable entities, including contractors and sub-contractors, in the project. Further documentation may be required for contractors and sub-contractors on the [Enhanced Contractor Review](#) status list.
- Completed and satisfactory [HUD Section 3](#) documents for applicable entities in the project, if project is receiving federal funding.
- Completed and satisfactory [Campaign Finance Law](#) documents for applicable individuals and organizations in the project.

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- Completed and satisfactory [Environmental Review](#), including, but not limited to, City Environmental Quality Review (CEQR), and/or State Environmental Quality Review Act (SEQRA) review, and/or NEPA environmental review, as applicable. Further environmental testing and compliance may be required.
- Architectural plans and specifications approved by HPD's Building and Land Development Services (BLDS).
- Approval and New Building Permits by the NYC Department of Buildings (DOB).
- Borrower's organizational documents, including W-9 forms and IRS EIN letters.
- HPD requires that the general contractor secures projects by a letter of credit for 10% of hard costs excluding contingency. Payment and Performance bond for 100% of hard costs may be accepted in lieu of letter of credit.
- HPD may require that it be named beneficiary on a number of documents, including, but not limited to, insurance certifications and completion guarantees.

Marketing and Sales

Projects must comply with [HPD Marketing Guidelines](#). The Marketing process is overseen by HPD.

Condominium and Cooperative Offering Plans must be approved by HPD and the NYS Attorney General's office.

Conditions precedent to HPD approval of sales include (but are not limited to):

- Permanent Certificate of Occupancy from NYC Department of Buildings.
- Evidence that final punch list items have been cured/ repaired.
- Architect's Statement post-completion regarding accessibility.
- Certificate of Completion from HPD on City-owned sites.
- Proof that real estate tax exemptions have been obtained.
- Evidence that the purchaser has received from the development team, in a form satisfactory to HPD, homeowner education pertaining to financial planning; operation and maintenance of HVAC, heating and hot water systems and appliances; manufacturer and developer warranty coverage; and homeowner maintenance responsibilities.
- Evidence that the purchaser has received from the development team, in a form satisfactory to HPD, technical training on how to form and run a coop or condo.

HPD Contact

Open Door Program
100 Gold Street, Room 9-M2
OpenDoor@hpd.nyc.gov
Phone: 212-863-6044

Project proposals can be submitted to the above email address for review.

HPD, in its sole discretion, may, at any time and without prior notice, terminate the program, amend or waive compliance with any of its terms, or reject any or all proposals for funding.